

SFB Policy on New Construction Award Cancellations

Background

The SFB is charged with awarding new school projects based on projected ADM. If the projected ADM does not materialize, the statute requires the Board to delay the project until such time as the ADM does warrant the school (A.R.S. 15-2041 E).

Over the past several years, the Board has seen several schools delayed due to slower than projected ADM growth or other issues beyond the control of the district. The Board has historically addressed these delays by awarding some inflation dollars.

The below information compares the average time between the award of a project and the delay experienced by some schools. Table 1 shows the average number of months by school type. Table two breaks down the number of projects by total time.

Table 1

<u>Configuration</u>	<u>Number of Projects</u>	<u>Average Design Time</u>
Elementary	65	17 months
K-8	72	18 months
Middle	24	14 months
High School	26	23 months
Total	188	18 months

Table 2

<u>Time</u>	<u>Number of Projects</u>
Less than one-year	62
One-year to two-years	86
Two-years to three-years	22
Three-years to four-years	13
More than four-years	5

Of the 18 projects that were in design for over three-years, eight projects received inflation related increases to their budgets. These increases averaged \$7.03 per square foot for a total of \$3.1 million. The majority of the other projects were very small or received significant local contributions.

Recommendation

Based on this review, certain projects are experiencing delays of over twice the average time between award and construction. One project was over triple the time. The

inflation impact on these extreme delays is potentially significant enough to render the underlying formula award irrelevant. Therefore, staff recommends that the Board allow districts the opportunity to cancel a project. This process will address projects that are delayed due to overstated ADM projections. Other delays including land issues will be addressed by adding inflation dollars as necessary according to the Policy on Inflation Adjustments. The recommended cancellation process is as follows:

- If a district becomes aware that an approved new construction project will not be constructed for some time, the district may request the cancellation of that project in their annual capital plan. SFB staff will review the requests and make a recommendation to the Board on cancellation.
- The square footage associated with the project that the district is requesting to be cancelled will be included in the review of the capital plan that includes the cancellation request.
- The Board will act on the cancellation recommendation at the same time the Board reviews the district's capital plan.
- If the cancellation of the project will leave the district below the minimum square footage guidelines within one-year, the project will not be eligible for cancellation.
- The district can request the reestablishment of the project in any capital plan subsequent to the cancellation. Districts may not seek to cancel and reestablish the same project in the same capital plan.
- If the project is reestablished, it will be awarded at the current cost per square foot.
- Any funds distributed for a project that is ultimately cancelled will be deducted from the award of the next project of same configuration.